October 12, 2007

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Members of the Board:

The Maryland & District of Columbia Credit Union Association (MDDCCUA) appreciates this opportunity to comment on the Federal Reserve's proposed changes to the open-end lending provisions of the Truth-in-Lending Act (Regulation Z). MDDCCUA is a regional trade association serving the needs of over 180 credit unions in Maryland and Washington, D.C., which serve more than 2 million members.

Open-end, Multi-featured Loan Products

I would like to comment specifically on the Fed's proposal to require credit unions that use open-end, multi-featured loan products to provide additional closed-end disclosures for sub-accounts that are created to finance specific items. This would adversely affect our member credit unions, and their respective borrowers for the following reasons:

1) The Fed's proposed approach would be detrimental for credit union members. Many credit union borrowers have relied on the current system for years, and thus have become accustomed to obtaining loans quickly and efficiently under the open-end lending platform. Under the current platform, credit union members can obtain loans remotely, which is very convenient for them. This convenience factor will be lost if the proposed changes are implemented for open-end, multi-featured loan products.

2) The Fed's proposed approach would adversely affect the efficiency of our credit unions' operations. Loan approvals would become more time-consuming; closing would become more cumbersome, both for the member and the credit union; and loan volume would be likely to drop. These factors would most likely lead to increased cost of credit to all borrowers.

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3) Credit life and disability insurance premiums will be more difficult to manage because credit unions will be forced to offer single premiums on these products, making a refund necessary if the loan is repaid early. Essentially, the ability to pro-rate the insurance premium will be removed. This change will force our credit unions to charge the premium up-front, which will be more expensive for the member.

4) Presently open-end loan plans provide consumers with detailed periodic statements that display the unpaid loan balance, annual percentage rates, and periodic rates for interest, and insurance premiums. These periodic statements give consumers complete details about their loan transactions, making them more informed.

As indicated above, the net effect of the Fed's open-end, multi-featured loan proposal would be an unnecessary increase in the cost of loan products. In particular, consumers will pay higher fees. There is no indication that this proposal was made because of complaints regarding credit unions' open-end, multi-featured loan products. Credit unions and their members should not have to bear the negative effects of this proposed regulation.

Thank you for the opportunity to comment. For further information concerning these comments, please contact B. Kirk Fox, vice president of Regulatory Affairs at (800) 492–4206.

Sincerely,

Michael V. Beall
President/CEO